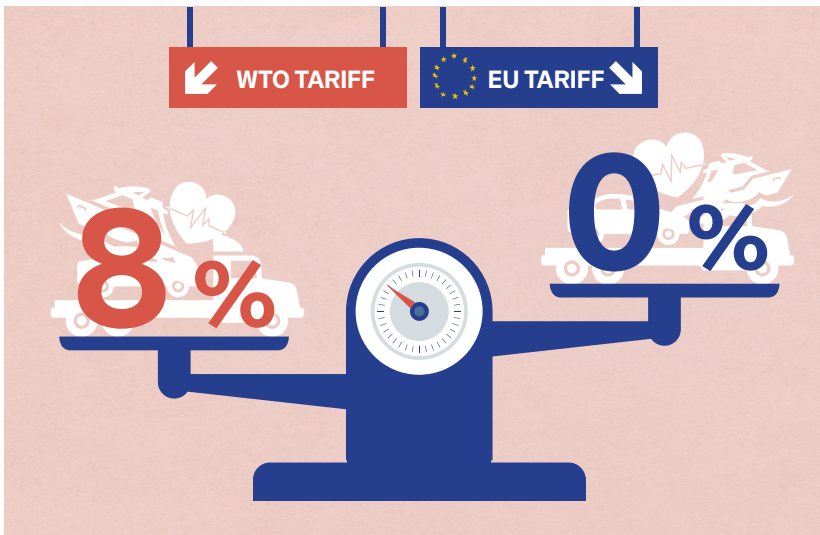


HOW CAN BUSINESSES TAKE ADVANTAGE OF THE EU'S TRADE AGREEMENTS AND SAVE ON CUSTOMS DUTIES?

The EU has trade agreements with approximately 60 non-EU countries. Trade agreements either eliminate customs duties on trade in goods or significantly reduce them. However, companies are not automatically relieved of customs duties. For businesses to be able to capitalise on the savings made possible by the EU's trade agreements, their **exports must meet three basic conditions**.

- 1.** The exported product is included in an EU trade agreement. In general, the EU's most recent trade agreements cover almost all industrial and agricultural products and foodstuffs.
- 2.** The product originates from the EU or partner country. In other words, it is wholly produced or sufficiently processed either in the EU or in a partner country.
- 3.** The product is accompanied by proof of origin.



CONDITION 1: ARE THE PRODUCTS INCLUDED IN AN EU TRADE AGREEMENT?

EU trade agreements eliminate customs duties from almost all products or significantly reduce them. The precise amounts of customs duties and the possible transition periods for tariff reductions vary according to agreement.

From the EU's Market Access Database (madb.europa.eu) it is possible to check whether a particular product is covered by a trade agreement and to see the tariff on the product. You need to know the product code to be able to find the product in the database. The product code (HS code in the harmonised nomenclature) is the same numeric code that the business uses when filling out import and export declarations.

If you do not know the HS product code, you can contact Customs Information Service or go to Customs' website to look it up (tulli.fi/en/businesses/export/declaring-commodity-codes). You can also consult the TARIC database of the European Commission to find the correct code.

CONDITION 2: DOES THE PRODUCT ORIGINATE FROM THE EU OR A PARTNER COUNTRY?

The exported product may meet the origin requirement in two different ways:

- The product is wholly produced in the EU or in a partner country (e.g. agricultural products).
- The product is manufactured in the EU or a partner country to a sufficient extent. Generally, the criteria can be checked from the product-specific list rules found in the EU's trade agreements to which the conditions of sufficient manufacturing have been included. The Customs Information Service can also help in determining the origin of a product.

In most cases, the product is sufficiently manufactured and therefore eligible for a tariff preference, i.e. a reduced or zero rate of duty, if it meets one of the following three criteria:

- The finished product gets a tariff code which is different than the codes of the materials used in the manufacture (change of code at the four-digit level)
- The finished product meets the criteria for the percentage rule (the maximum percentage of external materials is not exceeded or the minimum value added by originals is exceeded)
- The finished product meets certain technical criteria for processing materials such as a sufficient number of manufacturing stages (e.g. textile products).

EU trade agreements also allow for so-called cumulation. This means that a Finnish manufacturer may, under certain conditions, make use of raw materials from a partner country in the manufacture of its products also without the conditions of sufficient manufacturing being met, whereby the end product may still be considered to be manufactured in Finland/EU. It is also worth noting that raw materials originating in the EU and imported into Finland are naturally treated in the same way as domestic raw materials, i.e. they add to the Finnish/EU origin of the product.

EXAMPLES OF PREFERENTIAL TREATMENT IN EU TRADE AGREEMENTS

COUNTRY AND PRODUCT CATEGORY	WTO TARIFF (%)	EU TARIFF(%)
South Korea		
Instruments and appliances used in medicine 901890	8.0	0
Frozen swine meat 0203299	25.0	0
Canada		
Motor vehicles for the transport of goods 8704	6.1	0*
Instantaneous or storage water heaters 841919	5.0	0
Switzerland		
Motorboats 890392	CHF 30.00 per 100 kg	0
Relays 85364900	Min. CHF 47.00 per 100 kg	0
Mexico		
Titanium oxides 282300	7.0	0
Structures and parts of structures 730890	7.0	0
Japan		
Quaternary ammonium salts and hydroxides 29239000	3.9	0
Women's and girls' cotton blouses 62063021	9.1	0

* Customs duties will be eliminated during a three-year transition period.

CONDITION 3: PROOF OF ORIGIN

Demonstrating origin is relatively easy if the value of the item does not exceed EUR 6,000. In that case, most EU trade agreements allow exporters to produce a commercial invoice-based declaration of origin. This means that the exporter adds to the commercial invoice a standard clause stating that the product originates in Finland/EU.

When the value of the delivery exceeds EUR 6,000, the company has two options. It may request that Customs issue a **certificate of origin** for each delivery exceeding EUR 6,000. In Finland, the EUR.1 certificate (blank form) necessary for the authentication of the exporting country's preferential origin can be purchased from www.kopistore.fi. In some cases, a EUR-MED certificate is required for proof of origin. Alternatively, an enterprise may apply for an **approved exporter's status** from Customs so as to be able to submit formal invoice declarations of origin. Seeking the status of an approved exporter is recommended, if the company frequently exports the same products as it makes things easier both for the exporter and Customs. The application is drawn up on Customs form 295s.

Once the approved exporter's status has been obtained, the exporter may include a formal declaration of origin in the consignment documents (such as invoice or transport document), regardless of the value of the delivery. The declaration of origin shall indicate the approved exporter's authorisation number received from Customs and the country of origin of the product. In this way, the authorities of the recipient country will know that the incoming products are eligible for preferential treatment according to a trade agreement between the EU and the recipient country. In addition, the customs declaration made in connection with the importation must indicate that a preferential tariff is being sought—for example, by indicating a preferential tariff code.

It is worth noting that the EUR.1 certificate cannot be used for exports to **South Korea**. In order to qualify for the reduced tariff, the company must always apply for an approved exporter's status from Customs, if the value of the delivery exceeds EUR 6,000.

In order to benefit from the preferential tariffs agreed in the EU-**Canada** trade agreement or the EU-**Japan** Economic Partnership Agreement, companies must be registered in the Registered Exporter System (the REX system). To become a registered exporter (REX), companies need to submit the customs form 1051s. For shipments with a value below EUR 6,000 no registration is required.

OTHER CONDITIONS

In addition to the three basic conditions listed above, the EU trade rules on the origin of products are subject to other conditions and rules, such as the rule of direct transport. This rule requires that products are exported directly from the EU to the partner country. However, the products can be transported through other areas and, if necessary, placed in intermediate storage and re-loaded. This is under the condition that the products must remain under customs control during transport and intermediate storage, and that the products are not subject to any measures other than those necessary for their unloading, re-loading and maintenance.

The conditions relating to the rules of origin for each trade agreement can be checked on the EU Commission's website (ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/general-aspects-preferential-origin/arrangements-list_en).

FURTHER INFORMATION

This brochure contains information of a general and indicative nature.

FOR ADDITIONAL INFORMATION, PLEASE CONTACT:

Customs Information Service

Tel. + 358 295 5202

yritysneuvonta.vienti@tulli.fi

Ministry for Foreign Affairs

Department for External Economic Relations,

Market Access Unit, TUO-20@formin.fi

More comprehensive descriptions of preferential treatment can be found for example, on Customs' website:

tulli.fi/yritysasiakkaat/vienti/viennin-etuuskohtelut

tulli.fi/yritysasiakkaat/tuonti/etuuskohtelut-ja-tavaran-yleinen-alkuperä